

# Senator Eric Oemig

## 2009 Legislative Preview



### What's on your mind?

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### Dear friends and neighbors,

Thank you so much for all the positive feedback on my last newsletter. I tried to break from the usual mold and pack in as much information as I could.

With all the recent focus on the economy (and much needed attention) I'm dedicating most of this letter to our budget. In one way or another, money is most of what I think about in Olympia. Before I go into details, I'd like to outline a few priorities for the 2009 session, which begins on Jan. 12, and show how you can get involved and be heard.

### Budget website

In my fall update I described my bill (Senate Bill 6818) to put budget info onto the web. The first version of the Web site went live on Dec 3rd. You can check it out at <http://fiscal.wa.gov>. I will continue working to improve this website with features that make all that data digestible. Budget transparency is more than just putting out reams of data. The data also have to be understandable and manageable.

Several people have jokingly asked if I left Microsoft to go to Olympia to design software. No. But, writing law does have a lot in common with writing computer code. A lot of the bills we pass are "bug fixes" to existing laws. The first bill to pass out of the Senate with my name was just such a bug fix.

Government agencies are supposed to do "energy audits" and implement cost effective improvements to reduce energy consumption. Well, the agency that enforces this conservation ruled that "water" is not "energy" therefore water conservation can't be included in the audits. My bill basically added water and waste to the list of conservation considerations.

A friend of mine at Microsoft used to say that what he hated about computers is, they do exactly what you tell them to do... not what you expect them to do. This was an example of government bureaucracy doing exactly as they were told instead of using common sense

### Transparency

Another aspect of transparency (or lack of it) is seen by how the state helps our local districts pay for school buildings. Any normal person could be misled into believing the state is paying around half the cost of our new buildings. The reality is the formula hides the true cost of construction and the state only puts up a small fraction of our costs. In other districts the state pays more. In our district we get less. There are factors from cost of construction, to the size of buildings, to the fact that the state then deflates the amount it pays based on our local property values.

I consider this a deception. I have worked hard since April to build a proposal that will highlight these financial waves of hand. If we want good policy, the policies that we create have to be visible and understandable. If a funding formula cannot withstand the scrutiny of public eyes, then it should be changed.

### Spreading the wealth around

Every time I hear someone from rural Washington say they are sick and tired of subsidizing King County it drives me crazy. The fact is, we here in King County pay taxes to Washington state that subsidize rural Washington. Many of these subsidies are in transportation projects or public schools.

*(continued on the back page)*

## Balancing the budget in a downturn

There are plenty of national and global factors to blame for the global financial crisis. We've heard of some of the major economic problems plaguing the rest of the country. Here in Washington, we've made smart choices that made us more resilient, but we are not immune.

The catastrophe that has hit the financial global market has finally hit home. In a connected world, it would be impossible for our customers, out-of-state or overseas, to face bad times without impacting us. If they quit buying our products or quit paying their bills, we feel it.

With a projected budget deficit that could push \$6 billion, we're joining a crowded club. According to a June report by the National Conference of State Legislatures, 31 states faced a budget deficit for the current fiscal year, not including Washington. And the economic storm is sinking states regardless of the political party in charge.

Here in Washington, it'll cost hundreds of millions more than in our last budget just to maintain our current K-12 education system, which already accounts for over 40 percent of our state operating budget. Why? People are having more kids than in past years and those kids are entering schools. Also, inflation and the cost of teacher health care benefits drive up costs. Starting in July, we have obligations under a voter approved initiative to give pay raises to teachers. So, all else equal, our costs will go up. So, we can't keep things equal. We will have to cut.

On the income side, Washington's tax revenues primarily come from three sources: Sales tax, business and occupation tax and real estate (property and excise) taxes. Slower retail sales, slower housing sales and lower business revenues all greatly reduced the expected tax revenue coming in. So that means even more cuts will be needed. We also have the rainy



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day fund as of last year but that contains just \$437 million, amounting to little more than a drop in the bucket.

Before we get into the cuts, I want to share some of the methods legislators have used in the past to avoid making steeper cuts. They often don't actually improve our fiscal health or limit our spending in any meaningful way. They are just accounting tricks to make things look better. It's kind of like how the federal government uses Social Security cash flow to make their budgets look less painful.

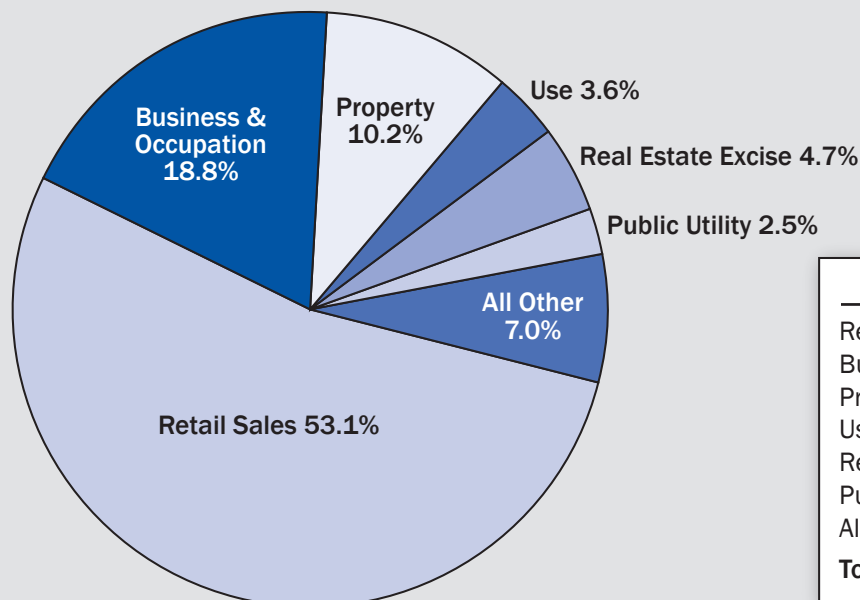
So why use them? These tricks can help preserve high-value programs during difficult budget times, serving as a bridge to times of greater economic prosperity. Here are some examples of tricks used in the past:

- Underfunding pension funds for state employees, which appears to save money – but really just borrows from the future. Sooner or later we have to settle up. Think of this like underfunding your kid's college fund. Eventually you have to come up with money.

*(continued next page)*

### Sources of state general fund revenue

(Dollars in Millions)



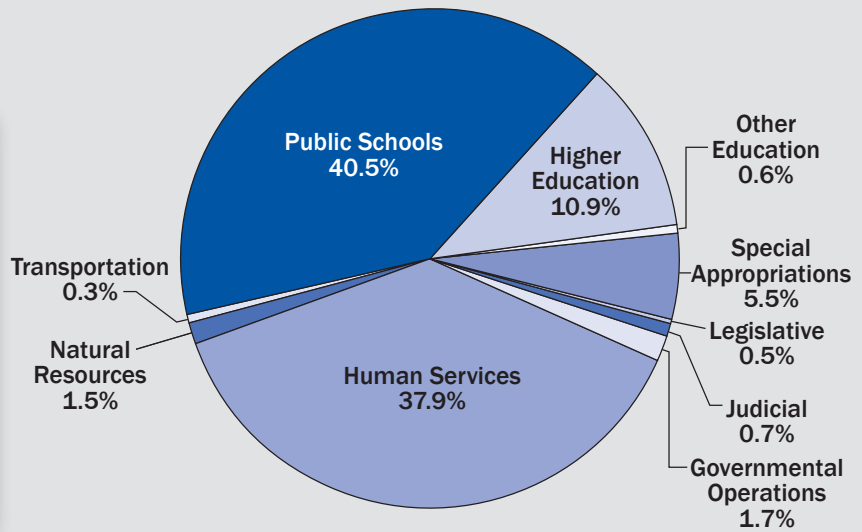
#### Sources of Revenue

Retail Sales	15,654.9
Business & Occupation	5,543.7
Property	2,994.6
Use	1,074.7
Real Estate Excise	1,382.6
Public Utility	736.5
All Other	2,076.1
<b>Total*</b>	<b>29,462.9</b>

## Where the money goes: Categories of state operating budget spending

(Dollars in Thousands)

Near General Fund - State	
Legislative	167,290
Judicial	248,838
Governmental Operations	572,949
Human Services	12,745,221
Natural Resources	509,186
Transportation	85,614
Public Schools	13,621,900
Higher Education	3,653,746
Other Education	188,438
Special Appropriations	1,862,037
<b>Statewide Total</b>	<b>33,655,219</b>



### (Painful budget cuts are on the way—continued)

- Expanding the debt limit so the state can borrow more money. The amount the state can borrow is limited by law and the constitution. The debt limit is set as a percent of the general fund revenue. The trick used to raise the limit is to shift money from other state funds, once housed in the state's general fund, back to the general fund. We don't actually increase the amount of money we have but we increase the amount of money we can borrow. Think of this as including your 401(k) in your list of available assets when considering a loan. You don't intend to spend that money to pay back the loan but it increases your rating, and thus the amount you can borrow.
- Borrowing against future payments from the state's settlement with the tobacco industry. Think of this as the equivalent of a payday loan, but with less onerous terms.
- Bonding some other revenue stream – this is basically the same technique as the tobacco money, but using some other source of revenue. There are actually two problems with this trick. First, it spends future money today and doesn't leave anything left over. And it prevents the policy makers of the future from changing policy without writing a big check. Here's an example. Suppose we bond the lottery money. Then, we take a loan which is secured with the promise of future lotto ticket sales. If someone wants to cancel the state lottery, they would first

have to pay back the loan. So, bonding an income stream makes it very difficult and expensive to reverse the policy.

In the last downturn, the Legislature did things such as underfund our state's pension system, shift money from other state funds and borrow against future payments from the state's settlement with the tobacco industry. That staved off steeper cuts but wasn't enough. Lawmakers also suspended voter initiatives providing teacher pay raises and reducing class sizes. Pay raises for state and higher education employees were wiped out. Subsidized health insurance for the poor was scaled back.

In other states, lawmakers are currently talking about laying off state workers and cutting wages and health benefits.

Spending cuts will be painful for all. They mean hiring freezes, salary cuts, reductions in health benefits (effectively another pay cut), kicking people off state benefits, firing people, cutting or freezing agency budgets (which means longer lines and longer waits when you need services), and cutting services outright. We have to be careful because many cuts could risk pushing even more people into unemployment, deepening our economic crisis.

Already, Gov. Chris Gregoire has ordered millions in agency cuts and implemented a hiring freeze. Budgets for out-of-state travel, equipment purchases and personal services contracts are being slashed.

But that will only just get us started in filling a budget hole that could reach \$6 billion. Hard choices and smart choices will have to be made.

Working together we'll get through this. I'll be working hard for you. If you have ideas about how the state should walk this tight line, I'd love to hear them. Feel free to call my office or send me an e-mail.





***(Spreading the wealth around—continued from page one)***

One interesting state subsidy is a direct “welfare check” from the state paid to small counties and cities – simply because they are small. They call it 6050 money (named after the bill number that created the payment system).

Again we need better information. Those citizens that live in those communities are not even aware that those of us who live in King County are their benefactors. I wrote a bill last year, and I will try again this year, to highlight the 6050 money so that our policy choices will be improved by better information.

## **Citizen Advocate**

During the two years I’ve served our district I’ve noticed a disturbing pattern in the phone calls to my office. I’m getting many calls from folks who have a problem with some agency of government. Whether it is a complaint about OSPI, DOH, L&I or DSHS, the pattern is always the same. The constituent has a legitimate problem and the agency is arrogant and unresponsive. I don’t mean to imply that all people have a bad experience. But many people do. For them, it’s as if the agencies have forgotten who they exist to serve.

When customers have a problem with a business, they turn to the Attorney General’s Office. When people have problems with their government the attorney general defends the government not the people. Unless you have the resources to hire an attorney, you get steamrolled. For the folks that call me or Rep. Goodman or Rep. Springer, we help out as best we can.

To create a market force and put more accountability onto the agencies, I’ve been working on a bill to pull some of the existing ombudsmen and support staff out of the various agencies to create a “citizen advocate.” I don’t think any organization can ever successfully police itself. By taking existing resources (i.e., no added cost) and moving them outside of the agencies, they will better serve the customer. Citizens will have one common place to turn to for help, no matter which agency of government is underserving them. Agencies will also have a financial incentive to deliver better service because the “citizen advocate’s”

budget will be charged back to the agencies based upon their complaint rate.

## **Your Feedback**

Your feedback is so important to me. I try to reply to all the phone calls and emails that ask for a reply. An unfortunate irony is that often the most thoughtful or challenging letters I get are the ones slow to get a reply. They take me more time to research or respond in the detail they deserve.

Your input is critical for me to hear multiple sides of an issue. Remember, paid lobbyists are happy to mob me while I’m walking down the hall in Olympia to tell me their side of the story. Be sure and tell me your side too.

Call or e-mail. My Olympia office phone is (360) 786-7672 and I can be reached via e-mail at [oemig.eric@leg.wa.gov](mailto:oemig.eric@leg.wa.gov). You also can call the Legislative Hotline 1-800-562-6000 to leave a message for me, other legislators and the governor.

## **Replies**

From my fall update, many callers were surprised to learn that mercury is still used as a pesticide in vaccines. Some asked for more information. The FDA has a list of vaccines and the amount of mercury (marketed under the “Thimerosal” trademark) in each injection. There almost always is an option for zero or reduced mercury/Thimerosal – if you ask. Markets are only efficient if there is good information. So be an informed consumer.

Here is the FDA website: <http://www.fda.gov/CbER/vaccine/thimerosal.htm#t1>

From the FDA site: “Thimerosal is a mercury-containing organic compound (an organomercurial) ... that kill or prevent the growth of micro-organisms, particularly bacteria and fungi. They are used in vaccines to prevent microbial growth in the event that the vaccine is accidentally contaminated, as might occur with repeated puncture of multi-dose vials.”



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